



MORTGAGE BANKERS ASSOCIATION

May 29, 2020

Colette Pollard, Reports Management Officer, QDAM
Department of Housing and Urban Development
451 7th Street SW, Room 4176
Washington, DC 20410-5000

RE: 60-Day Notice of Proposed Information Collection: Capital Needs Assessment (CNAs)
Docket No. FR-7027-N-11; OMB Control No. 2502-0505

Dear Ms. Pollard:

The Mortgage Bankers Association (MBA) respectfully submits the following comments and feedback in response to the 60-Day Notice of Proposed Information Collection: Capital Needs Assessment (CNA) Docket No. FR. 7027-N-11. These comments and recommendations were compiled by the MBA FHA Committee e-Tool Advisory Working Group comprised of Lender members and Needs Assessor members. This letter supplements our preliminary feedback and recommendation communicated to HUD in a letter on April 30, 2020.

Overall Recommendation

MBA strongly supports HUD's efforts to upgrade its technology platforms to create a more efficient process for its lenders and borrowers and other industry stakeholders. MBA has historically advocated for additional appropriations to HUD, particularly to ensure adequate funding to support enhancements to its technology platform.

We appreciate that HUD is working to push this project forward as it balances its extraordinary efforts to address the COVID-19 crisis. However, to ensure the project's success, we recommend that HUD strongly consider delaying the release of the CNA e-Tool Version 3.0 until development of a fully functional version is fully tested and until both external and internal training is completed. In addition, based on our experience testing this tool in partnership with HUD's Technology Division, we believe that the modest marginal improvements in the current version of the tool may not outweigh the burden of the more laborious transfer of information.

Summary and History

To provide background on the larger context for this feedback we would like to share a brief history related to the early development of the e-Tool that we included in our April 30, 2020 letter to HUD.

In March 2018, HUD asked the Committee to identify the major desired functionalities of the new CNA e-Tool in development, break them up into workable tasks, and provide HUD and their working partner, KPMG, with the resulting wish lists.

Over the course of a two-month period, the Committee developed an approach to that request, including dividing the work and asking lenders to provide samples of their CNA worksheets. Calls were to be scheduled with each type of participant (lender or needs assessor) to discuss these tasks in real time. Unfortunately, due to the government shut down, these calls did not take place.

Upon the reopening of the government in early 2019, the Committee learned that HUD and KPMG needed time to finalize their approach and restart their plans. HUD then launched a program of beta testing, to be completed over four sessions, with each session projected to last a week with three months, with development time between each round.

At the first beta testing session, the Committee was provided a series of screenshots of the tool and was asked to comment on the look and layout of the inactive pages. The Committee requested live pages as a better basis for providing feedback, but ultimately the exercise was limited to static screen shots.

A second beta testing session concluded on March 23, 2020. To our knowledge, this was the first time that HUD testers/users were able to participate. We have recently been informed that HUD will be conducting a third beta testing round in June. Despite the planned additional testing, we remain concerned as to whether the e-Tool will be fully functional, and that participants will be adequately trained in time for a late summer rollout.

Compilations of Specific Feedback – Appendices A and B

We have provided compilations of both Lender and Needs Assessor commentary in Appendices A and B to this letter, organized to address specific items in the request for solicitation of public comment.

That commentary reflects the shared view that, while the CNA e-Tool is intended to reduce work and create a streamlined process, the e-Tool does not yet accomplish that goal. For example, new requirements will require Needs Assessors to reinspect properties to provide data for 25 percent of the building units instead of the previous 23 percent; and, multiple and reiterative steps to complete the “build a building” input of data which will require unnecessary and minute details that are not currently required. As a result, the non-HUD beta testers project that the new e-Tool, as currently planned to release, will require at least a 20 percent increase in worktime across all CNA submissions. Ultimately, the extra time, extra steps and more stringent data entry requirements will force the Needs Assessors to increase costs, ultimately increasing costs for the Borrowers.

We believe the necessary level of improvement is achievable. However, without an adequate reassessment of the new CNA e-Tool and rebuilding of the features to match the current needs of the industry, the transition to the new version of the CNA e-Tool, we are concerned that marginal improvement of the new version of the e-Tool will not justify the burden of migrating to it.

* * *

MBA remains committed to helping HUD to realize the potential benefits that a cloud-based CNA e-Tool promises and appreciates that HUD has determined to delay the “go-live” date of the CNA e-Tool until August of this year. We still recommend that the release date is pushed back further until adequate training of the industry and HUD staff, and appropriate levels of beta testing has been completed and overall implementation burden if the necessary testing and training were completed by that time.

We hope you find this feedback and these recommendations to be helpful. The MBA and its members value the working relationship that we have with HUD, and we look forward to continuing to work together to help make HUD’s programs work, operationally and programmatically.

Please feel free to contact Sharon Walker, AVP, Multifamily, at swalker@mba.org with any questions or concerns.

Regards,

A handwritten signature in black ink, appearing to read 'Mike Flood', with a stylized flourish at the end.

Mike Flood
Senior Vice President, CMF Policy & Member Engagement
Mortgage Bankers Association

Attachments:

- Appendix A: Compilation of Responses by Lenders
- Appendix B: Compilation of Responses by Needs Assessor Participants in Beta Testing

Appendix A: Compilation of Responses by Lenders

(3) Ways to enhance the quality, utility, and clarity of the information to be collected.

Response: The quality, utility, and clarity of the information collected could be improved by addressing the following observations.

- Repair and Reserve Schedule - HUD indicated that it would be possible to export or print these tables; however, the export function is not operational and print (ctrl P) does not work for the repair and reserve schedules. Ctrl + P simply prints whatever is visible in the window but does not generate a printable version of the schedules.
- Reserve Schedules - The test scripts for Team 8, from Beta Session Two, did not result in any CNAs with future capital needs (Years 1-20); therefore we have been unable to see what the tables will look like with future needs data and unable to test various scenarios to see what errors arise and whether legacy issues have been corrected.
- Narrative - Although the narrative can be printed, this does not provide a report that a client can view and understand. The information in the narrative is a high-level summary, restricted by character limits.
- Flag Report - It is possible to copy the flag report from the Validation tab and paste them into an Excel file; however, there is no property or assessment identifier. It would be helpful if the flag report could be extracted into a file with a label indicating the property name and assessment ID.
- Repair Schedule - Even when viewed within the system, the schedules sometimes extend off the frame of the page because the component name does not wrap.
- Repair Schedules appear to be missing the per unit calculation.
- It is not clear that the narrative can be printed other than by right clicking and printing the page. The test script indicated the shortcut (Ctrl + P), but it would be better if a Print button were added to the screen or to the Options menu.
- A user is required to have all the data on their clipboard prior to clicking the button. This is counter-intuitive, non-standard, and seemingly unsafe, as the user must give the website permission to access their clipboard. Most websites with copy and paste functionality would have the user pasting CSV/spread sheet data into a grid. There are numerous grid widgets available on different websites that provide normal copy and paste functionality. Is there any reason the e-Tool website needs to explicitly take control of the user's system, or can this be changed?
- Due to the e-Tool being incomplete, there was not a way to enter the same data from a previous legacy e-Tool and compare results.

- There currently is no way for a user/company to integrate their line of business applications or systems with e-Tool Version 3.0 via Excel, a publicly accessible API, or any other means of data transfer. The only way to enter data is to enter it entirely manually, one item at a time.
- There is no documentation and/or guidance on what columns are needed for the Components unless you read the error message or happen to have the instructions provided in the test script.

Appendix B: Compilation of Responses by Needs Assessor Participants in Beta Testing

- (1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility.

Response:

- We understand that one purpose for the development of the CNA e-Tool, was to provide HUD with a detailed understanding of their assets. For example, HUD did not have the data to determine how many high-rises were in its portfolio. Within the Building section of the e-Tool, the user can select a High-Rise building type. However, this is a subjective selection and not based on any objective factual standards. What is HUD's definition of a high-rise building? It could be a garden style building that is 2 stories, and the user could select high-rise, resulting in inconsistent data. As a result, the information HUD is receiving is still not as useful as it could be. HUD should determine what data is most important and build framework around collecting that information as factual as possible. The Needs Assessors would be pleased to assist in framing the questions/selections.
- The e-Tool is much more than a tool for collection of data; it is a development tool as well. This notice is specific to data collection, but it should not be overlooked that the e-Tool is a development tool. The tool has excessive development requirements to produce the data that is required by HUD - including information that does not appear to have practical utility. For example, the methodology to create a replacement reserve schedule requires multiple steps, is slow, and is inefficient, as is the same process used to document Critical and Non-Critical Repairs. Also, the CNA e-Tool requires the Needs Assessor to "build" the gross building area, through entry of individual interior spaces such as offices, laundry rooms, maintenance closets, hallways, electrical and mechanical rooms, storage rooms, interior stairwells, etc. Prior to the e-Tool, there was no reason to "build a building" based on individual interior areas - the Needs Assessors and Appraisers would determine the gross building areas based on available property details, such as construction drawings or tax records. For purposes of a Capital Needs Assessment, for Underwriting or Asset Management, we believe there is no practical utility to having this detailed breakdown of interior space. In addition, the tool requires a detailed breakdown of specific unit type per building. From a Capital Needs perspective and an underwriting perspective, there appears to be no value to knowing what specific unit type was in which specific building. Although this is data we often gather during site inspections, including it in the e-Tool can take time - especially, if a flag is created.
- The e-Tool was presented to the industry as a mechanism to control quality of CNA reports - so the initial goal was much more than simple data collection. A recommendation would be to have a HEROS-type website to gather the important data, and to then let the private industry develop their own tools for development of a CNA. The CNA e-Tool has increased the level/detail of data required but does not appear to offer the intended benefit. It is not clear as to what additional utility is gained by adding the level of detail provided in the CNA e-Tool that was not already provided by Needs Assessors, prior to this tool. If quality of CNA reporting is a concern to HUD, we suggest that HUD consider another review system for Quality Control. The e-Tool should be designed to allow for efficient collection, compilation, and output of pertinent and concise information that is useable by HUD, as well as the Assessors, Lenders and

Borrowers - instead of a system that is designed around the notion that quality input/output to HUD can be ensured through onerous and ever increasing data collection and reporting requirements placed on the Needs Assessors.

- Prior to the CNA e Tool, all Needs Assessors prepared reports using their own software and tools. These reports contained all the necessary property details and information from an underwriting risk perspective. The e-Tool removed any flexibility from the Needs Assessors and HUD reviewers. It appears the e-Tool was an effort to cull specific data from HUD's portfolio, by way of data collection efforts, and to reduce paper reports. However, HUD included requirements of the MAP Guide into the e-Tool (intrusive/unit inspection sample), which creates a high level of rigidity. Needs Assessors have been required to re-visit project sites to inspect a few additional dwelling units because the CNA e-Tool created a flag. It is not clear that inspecting 23 percent of the total dwelling units as compared to 25 percent of the total dwelling units has any impact on the quality of the CNA report, or reduces HUD's risk. As for information collection having a practical utility, it is not clear how HUD has used much of the data they have been collecting for the last two years.

(2) The accuracy of the agency's estimate of the burden of the proposed collection of information.

Response:

- The detail required by the e-Tool as well as the tool's functionality has increased the time to prepare a Capital Needs Assessment. Additional time spent on site is also required to collect the increased level of detail required to complete the tool, to prevent flags.
- Prior to the legacy excel based CNA e-Tool, the average Needs Assessor could prepare a CNA report in 20 to 24 working hours. In addition, changes and revision to the report could be completed more efficiently - approximately an additional 3.5 total hours to perform client requested revisions.
 - The Excel based CNA e- Tool increased report preparation time to 32+ hours and increased post draft revisions to 8 hours, due to the complexity of making secondary changes.
 - The web-based CNA e-Tool appears to have additional challenges and paired with untested performance metrics and repetitive testing, the web-based e-Tool will likely substantially increase the times to both prepare a CNA and then perform revisions to the CNA. In addition, the system is being designed so that the users must request permission from each other to execute their roles. As a result, Needs Assessor would have to request permission from the lender to start working before the software would allow the Needs Assessor to commence, this is very unusual. We would also have to request permission to begin our post draft revisions. It is also common for the Needs Assessor to receive project information, after the draft CNA report was completed and issued to the Lender. In order to revise the CNA report, the Needs Assessor

will need to request permission from the Lender to update the report. The control of the tool by a single user will increase inefficiencies in the overall process.

- During development of the Legacy (Excel) e-Tool, HUD had the expectation that their tool would be efficient. This was a major concern from the industry during development and the roll out as HUD staff assured industry that the tool would not increase production time for CNA providers. After 2 years in use, however, the industry has realized a reduction in productivity and capacity of at least 20 percent. Industry providers had to adapt and develop tools/efficiencies to populate the Excel e-Tool. The majority of Needs Assessors do not simply enter data into the e-Tool. If these industry providers did not have the ability to invest and develop proprietary tools, the capacity reduction within the industry would have been much greater. The e-Tool increased the difficulty to complete a CNA report, and arguably, reduced the quality of the CNA reports. Based on the proposed Version 3.0 e-Tool, it is a fair assessment that the industry will realize another 20 percent reduction in productivity and capacity, increasing the costs to complete a CNA by over 30 percent, and reducing the capacity by the industry to complete the CNA reports. The current Version 3.0 has limited ability to push bulk data to the tool. Select screens and data can be cut/pasted into the tool, but not all data fields. This requires the industry providers to manually enter select data into the tool, while copying and pasting other data into the tool. This leaves the Needs Assessors to work in their own proprietary tools and HUD's e-Tool, which seems inefficient.
- In addition to extending the time needed to complete a CNA e-Tool, the introduction of the e-Tool has extended the time required to train newly hired staff. Due to the added unnecessary complexity of the data entry into a CNA e-Tool, the time to train new staff has also increased. An additional 1 to 2 months are needed to train new staff as a result of the CNA e-Tool. This also has a negative impact on Needs Assessor firms to meet the industry volume demands for CNA reports and quicker turnaround times. The complexity of the e-Tool and the added burden of training is also evident with HUD staff. The Needs Assessors are still answering many questions from HUD reviewers about the legacy excel based CNA e-Tool.

(3) Ways to enhance the quality, utility, and clarity of the information to be collected.

Response:

- Test the software more with less controlled and scripted testing. The Beta testing only confirmed what HUD and KPMG already knew. There was no real practical information gathered as a result of the Beta testing.
- The Version 3.0 tool would need additional development, but there are many industry suggestions to reduce the burden of the tool and collection of data. There needs to be a way to enter bulk data, for all data fields easily and efficiently. HUD intended to provide an import feature but removed it after two weeks. This feature has not been presented to the industry. If there is an effective import feature that allows the industry to complete the e-Tool in excel and upload to Version 3.0, why can't that feature be part of the tool permanently? We suggest that HUD explore ways to allow

Needs Assessors to utilize their proprietary tools while allowing them to still use the e-Tool.

- Although HUD engaged industry stakeholders to Beta test the e-Tool as it was being developed, HUD did not engage Needs Assessors at the beginning of development, so we were only able to provide feedback on the functionality of the pre-developed features. Clearly, the development of the Version 3.0 tool was initiated by tasking the Developer with replicating the legacy Excel file features in web pages. As a result, the significant short-comings of the legacy system, with repetitive and painstaking data entry, have simply been repackaged - online. The legacy Excel file and, subsequently, the Version 3.0 tool are based on a design that fails to capitalize on data replication efficiencies that should be baked right in. Entering the same data points over and over to “compile” a building or a site is an inefficient and outdated methodology even at the time of the conception of the legacy Excel file. The development of the Version 3.0 tool should be based on a new underlying structure, user-friendly interface that is not rooted in the layouts and inefficiencies of the legacy Excel file. Being the most impacted stakeholder, it would have been more effective to have the Needs Assessors involved in the initial planning of the tool. A suggestion would be to revisit initial goals of the e-Tool. A web-based data collection tool, lender submittal tool, communication tool, would be beneficial in many regards, but a tool to develop CNA reports appears to go well beyond the goals of HUD and need for data collection. Based on the additional time it takes to complete a CNA report, it would be much more efficient to allow the Needs Assessors to prepare a CNA report in their proprietary tools/templates, then upload property data to a website upon application submittal by the lenders.

(4) Ways to minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated collection techniques or other forms of information technology.

Response:

- HUD should consider ceasing all requests for hard copy PCNA reports immediately and utilizing Utilize electronic copies of the CNA reports only.
- The Version 3.0 tool is based on a repackage of Excel functions from the Legacy system. The Excel system was outdated technology 10 years ago, and the Version 3.0 tool has simply moved the issues associated with the Legacy system to an online platform. Additionally, as a web-based system, Version 3.0 is even more restrictive to user input/manipulation than the Legacy system. This is evidenced by the difficulty that even the program Developers are having to implement a methodology for importing and exporting information in/out of the system. Copying and pasting large clusters of data in and out of the application is a rudimentary and makeshift solution - and should not be the basis for data entry.

- Currently, we write two separate report formats for every project, one for HUD (The e-Tool) and then a completely different report for the lenders and property owners in a format that is quick and easy to read. The property owners do not have the ability to review an e -Tool, which is why we need to prepare a separate report. The e-Tool, including the web-based version, does not roll up into an easily read and understood format. We are doing the work twice, and the web-based version will be even more time consuming because it is a hybrid of HUD trying to make a more meaningful report but not going all the way. So, we will have to enter and attach even more information into the website (e-Tool Version 3.0), but the Needs Assessors and Lenders will not benefit from an improved report for the additional effort.
- There needs to be a way to enter bulk data. There are ideas being discussed within HUD and KPMG, but when this tool is released, a method to enter bulk data is a necessity to maintain production levels. As another option, HUD could alter the tool to be a much more simplified data collection website, but not a CNA development tool. This tool limits the ingenuity of the private industry.

(5) Ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

Response:

- Reduce the 25 percent inspection rules, remove the common area tab from the e-Tool as it does not really get used for most deals; remove the narrative tab from the e-Tool; and have the lender attach an electronic copy of the PCNA. Both the common area tab and narrative tabs in the e-Tool are creating unnecessary work for most deals.
- Determine the data that is required, and what data will have practical utility. Develop a simple website to enter the data, and for the lenders to complete their application. The e-Tool is more than a data collection tool - it is a modeling tool and development tool. An overall evaluation of what data is required by HUD for review. The e-Tool requires significant data that is not used by any stakeholder. For example, it is unclear why HUD requires the develop of a Replacement Reserve Analysis in their tool. This can be completed much faster outside the e-Tool. The e-Tool does not permit a library of component costs or utility usages to be uploaded. Specific data, such as the total capital needs in each year, with 10- and 20-year summaries, can be entered into appropriate fields of a website. It would be much easier to enter 20+ data points into a website than develop a Replacement Reserve in the HUD e-Tool.